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### Coins, Counterfeiting and the State in the 19<sup>th</sup> Century

In April 2011 U.S. Customs and Border Protection Agents at O'Hare airport in Chicago became suspicious after x-raying a package. Opening the parcel, they did not find drugs, explosives, or any other type of illicit materials. Instead, they discovered hundreds of counterfeit U.S. trade dollar coins (Figure 1). Authentic U.S. trade dollars (Figure 2) that were minted by the United States in the 1870s to serve as a medium of exchange in East Asian trade now command a hefty price on the coin-collecting circuit. If these fakes had passed customs—and many do—Chinese manufacturers would have made an ample profit as middlemen sold the coins in the United States. Lab tests later revealed these counterfeit coins were brass and coated with a thin layer of silver to mirror the look of real U.S. trade dollars. The original coins served as a medium of exchange in U.S. trade in Asia during the 1870s and 1880s because at that time China had no standardized silver coin. Before the creation of the trade dollar by the Coinage Act of 1873, American businessmen hoping to trade with China first had to purchase, at a premium, Mexican silver dollars, which were known, accepted and even coveted by Chinese merchants in treaty ports along the East coast of China.



Fig. 1



Fig. 2

While it is impossible to trace the complete journey of these coins during the 19<sup>th</sup> and 20<sup>th</sup> centuries—from legitimate coins to part of an internet counterfeiting operation—the overlooked

global history of the American trade dollar provides a new perspective on an historiographic debate as well as one methodological trend in American diplomatic and international history.<sup>1</sup> Focusing on the American trade dollar calls into question the nature of U.S. policy in presence in East Asia during the 19<sup>th</sup> century. At the time and in later academic works, the United States appears as coat tail imperialists enjoying the benefits of Chinese concessions but not sharing in the burdens of winning or maintaining these privileges.<sup>2</sup> Qing officials, too, noticed this pattern. The administrator in charge of Shanghai concluded that “they [the Americans] do no more than follow in England’s wake and utilize her strength.”<sup>3</sup> The American could be counted on to “follow in England’s wake” and “allow British gunboats to humble Chinese” and then enjoy “what ever new privileges had been exacted.”<sup>4</sup> Domestic opinion within American also recognized these characteristics. *The New York Times*, commenting on the Treaty of Tianjin, judged it “humiliating to think that, in a matter of such great interest to us as our trade with China, we have allowed others to do the work and reap the honor, while we can content enough to pocket the profits.”<sup>5</sup>

This paper aims to tell a different story. By looking at the trade dollars themselves, the

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<sup>1</sup> Coin collectors and scholars—numismatists—have done significant work on the trade dollar but they write with an eye towards collecting and generally do not take part in historiographic debates. Likewise, historians remain unlikely to interact with numismatists. In his volume on Chinese monetary policy, *Money and monetary policy in China, 1845-1895*, Frank H.H. King notes that a full history of the trade dollar would be quite worthwhile. However, he was unaware that John Willem Jr., a coin collector and part-time historian, had self-published a thorough history of the trade dollar several years before. In many ways this was a natural oversight but it does represent the disconnect between historians and numismatists. See John M. Willem, Jr., *The United States Trade Dollar: America’s Only Unwanted, Un-honored Coin* (New York: Privately Printed, 1959). Other important works by numismatists include Walter Breen, *Walter Breen’s Complete Encyclopedia of U.S. and Colonial Coins* (New York: Double Day, 1988) and David Lange, *History of the United States Mint and its Coinage* (Atlanta: Whitman, 2006).

<sup>2</sup> For more on the nature of United States policy in relation to European nations in East Asia see Michael Hunt, *The Making of a Special Relationship: The United States and China to 1914* (New York: Columbia University Press, 1985); Warren Cohen, *America’s Response to China: A History of Sino-American Relations*. Fifth Edition (New York: Columbia University Press, 2010).

<sup>3</sup> Cohen, 19.

<sup>4</sup> Cohen, 25.

<sup>5</sup> “The End of the China War,” *The New York Times*, August 27, 1858.

material of empire, the United States innovates and leads as other nations follow its path. In fact, the trade dollars represent a transition from the “jackal diplomacy” of the early 19<sup>th</sup> century and the emergence of an American empire by the late 19<sup>th</sup> century. It is the first time that the United States undertakes a policy that positions itself as a leader and competitor in East Asia, no longer holding on to the coat tails of European nations. In fact, after the creation of the coin in 1873, other nations praised its ingenuity and even suggested copying the American and creating their own trade dollar coins. England, France, Germany and Japan followed suit. Japan even went so far as to use English lettering on the coin in an attempt to hoodwink merchants into thinking they held an American trade dollar.

This paper also aims to make a methodological point. Probing the history of American trade dollars suggests that diplomatic and international history has much to gain from studying the pathways by which objects traveled throughout the globe as well and how these objects were adopted, changed, used, and how these same objects today linger in the material world.<sup>6</sup> In doing so this paper employs Bruno Latour’s concept of a “black box” that attempts to uncover the history of mundane objects. The story of these objects generally goes unquestioned and unexplored and because of their very ubiquity. However, before exploring this larger theme it is necessary to detail the history of the American trade dollar and explain why the United States, and then, other nations, created special trade dollars to use as a medium of exchange in China.

## **The Chinese Background**

From 1644 to 1912 the Manchurian Qing dynasty ruled China. After conquering the

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<sup>6</sup> For more on this trend in the writing of American diplomatic and international history see especially Jessica Gienow-Hecht, “Cultural Transfer,” in Michael J. Hogan and Thomas G. Paterson, eds. *Explaining the History of American Foreign Relations*, 2nd ed. (New York: Cambridge University Press, 2004) 257-78; Victoria de Grazia, *Irresistible Empire: America's Advance through Twentieth-Century Europe* (Cambridge: Harvard University Press, 2005).

ethnically Han Chinese Ming dynasty (1368-1644), the Qing set out to consolidate its rule, wiping out Ming resistance in the south and southwest of the country. A series of Qing emperors—Kangxi, Yongzheng and Qianlong—then presided over a period of relative peace and stability from 1622 to 1796.<sup>7</sup> By the end of this period, the Qianlong emperor was confident enough to spurn the English envoy Lord McCartney who sought a closer trading relationship with China in 1793 by famously declaring that “Our dynasty’s majestic virtue has penetrated into every country under Heaven, and Kings of all nations have offered their costly tribute by land and sea... I set no value on objects strange or ingenious and have no use of your Country’s manufactures.”<sup>8</sup> However, Qianlong overlooked one very important thing the Qing dynasty did need from abroad: silver.

By 1800 a bimetallic system of copper coins, silver ingots and foreign coins served as a medium of exchange throughout China.<sup>9</sup> Copper coins, usually with a hole in the middle so they could be strung together, served in local trade. It was most common for hundreds of copper coins to be strung together and the benchmark was that 1,000 copper coins, usually referred to as cash, equaled 1 *liang* of silver, which the Qing treasury named as 37.3 grams of the metal.<sup>10</sup> This one *liang* of silver satisfied a unit of account known as a *teal*. Strings of copper coins were large and clunky and these factors proved prohibitive in interregional trade within China as well as in

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<sup>7</sup> Throughout this paper I romanize Chinese characters using the *pinyin* system in the interests of uniformity, except when citing a work. In *pinyin*, the name of the last Chinese dynasty is Qing but in the Wade-Giles system, now out of date but very common throughout the 20<sup>th</sup> century, the name appeared as Ch’ing. Likewise, the name Qianlong in *pinyin* appears as Chien’lung in Wade-Giles. Likewise, the name Kangxi in *pinyin* appears as Kang-shi in Wade-Giles.

<sup>8</sup> Gelber, Harry G., *The Dragon and Foreign Devils: China and the World, 1100 BC to the Present* (New York: Bloomsbury, 2007), 164.

<sup>9</sup> For further background Chinese Monetary History see Richard Von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000-1700* (Berkeley: University of California Press, 1996); Hsin-Wei Peng, *A monetary history of China* (Bellingham, Washington: Western Washington University Press, 1994).

<sup>10</sup> Lin, Man-houng, *China Upside Down: Currency, Society and Ideologies, 1808-1856* (Cambridge: Harvard University Press, 2006), xxiii.

international trade.<sup>11</sup> In a helpful analogy, one scholar writes that the relation of silver and copper in 19<sup>th</sup> century China should be thought of like the relation between quarters and hundred dollar bills in the modern United States. Both circulate together. For some larger purchases one wants the convenience of a \$100 bill instead of paying for the purchase in 400 quarters. However, the relationship between copper and silver in China, unlike the relationship between quarters and hundred dollar bills, fluctuated due to market conditions.<sup>12</sup> Thus, although Qing dynasty stated that 1,000 copper coins equaled one *liang* of silver, this rate varied by time and place within China.

This bimetallic system had a further twist in that the Qing dynasty minted copper coins but not silver ones. Mainland China, blessed with rich deposits of copper in the southwestern province of Yunnan, had scarce silver resources. To turn this copper into coin, the Qing maintained two mints in the Beijing area as well as provincial mints under the supervision of bureaucratic appointees.<sup>13</sup> Thus, the Qing system had “structural uniformity with local variations” and provincial officials could carry out policy that was independent of other provinces or the central authority.<sup>14</sup> While the Qing provided copper coins, it relied on market forces to procure silver. In earlier periods, China accumulated silver through trade and tribute with Japan. Starting in the 17<sup>th</sup> century, European traders brought silver to China in exchange for teas, silks, porcelains, and a host of other exotic wares. With the balance of trade usually in the

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<sup>11</sup> Besides trading purposes, silver maintained an important role in Chinese society thanks to the so-called “Single Whip” reforms of the Ming dynasty (1368-1644), after which taxes had to be paid in metal rather than in kind. This policy meant that Chinese in the 19<sup>th</sup> century had to have a diverse set of money on hand to buy local goods, to participate in trade and to pay taxes. For the best introduction to the Single Whip Reform and Ming monetary policy see Ray Huang, *Fiscal Administration during the Ming Dynasty* (New York: Columbia University Press, 1969).

<sup>12</sup> Lin, 8.

<sup>13</sup> Beyond minting its own coinage, the Qing dynasty recognized the legitimacy of previous dynasties’ coinage. It was impractical, as well as against the laissez-faire tradition of Chinese statecraft, to bar the use of older coinage. Old and new coins circulated together. See Lin, 33.

<sup>14</sup> Frank H.H King, *Money and Monetary Policy in China, 1845-1895* (Cambridge: Harvard University Press, 1965), 43.

favor of China, foreign merchants used silver to settle accounts. For the most part, silver used in this exchange came originally from colonial mines in South America. In fact, operating under a firm belief in bullionism, England eventually banned the use of English coins in the China trade. During this period, a Spanish dollar, known internationally as a Carulos dollar or a “piece of eight” and in China as “Buddha Heads”, or *fotou*, became an accepted medium of exchange.<sup>15</sup> Silver dollars, used in this paper to describe Mexican and American coins, contained, by the standards mentioned above, about 70 percent of one *liang* of silver. Or, in other words, according to Qing standards, one *liang* of silver equaled about 1.4 imported silver coins.<sup>16</sup>

Foreign silver coins served a different role in the monetary ecosystems along the Chinese coast, especially the important commercial centers in Canton as well as the *jiangnan* area, home to the prosperous cities of Suzhou, Yangzhou, Hangzhou, and Ningbo. As the monetary historian Richard von Glahn notes, during the first part of the 19<sup>th</sup> century foreign silver coins were treated in different ways along the coast of China. In Canton, foreign silver coins were regularly “broken” or “chopped” to gauge the coins’ silver content. Once chopped, these coins generally circulated at their bullion value. As seen in Figure Two on the first page, these coins could be chopped numerous times, to the point that the marks completely obscured the original design. In contrast, in Suzhou, Carulos silver dollars remained un-chopped and circulated at their face value, not as bullion. Under these conditions, travel and trade required much foresight. As a retired official in Guandong province told students about to depart for Beijing to take the Imperial Exams, “broken foreign coins can be used as far as Foshan, or at most Sanshui [both in

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<sup>15</sup> Lin, 45.

<sup>16</sup> Lin, 2.

Guangdong]” and that the “new foreign coin must be free of any chops to be used in Suzhou.”<sup>17</sup>

. This bimetallic system, with copper from domestic sources and silver from foreign sources, linked China to the world economy and also created a danger if silver supplies ever significantly declined. Soon after Qianlong’s pronouncement to Lord McCartney, world silver production plummeted and the copper to silver exchange ratios changed accordingly. While the official rate of exchange was 1,000 copper coins to one *liang* of silver the market rate of exchange humped to 1,637: 1 by 1838 and 2,355:1 by 1849.<sup>18</sup> Silver was becoming dearer. This created tension at every level of Chinese government and society because in order to pay taxes, participate in regional trade and provide for the government’s budget, everyone had to accumulate more copper coins to exchange for silver. For Chinese writers and administrators of the time, the dearer price of silver, and the Qing’s reliance on market forces to procure it, created a situation in which “the sovereign’s sword was held by other people” and made it so that the “state and the people economically were controlled by the merchants.”<sup>19</sup>

This economic squeeze, population pressures and a dearth of government positions for young men created a series of revolts at the same time that foreign pressure led to the Opium War. These dual crises, domestic revolt and war with foreign powers, came to define the last decades of Qing rule. The Opium Wars (1839-1842 and 1856-1860) concluded with the Treaties of Nanjing and Tianjin, creating a series of treaty ports on the East coast of China at Amoy, Fuzhou, Ningbo, Shanghai and Tianjin and giving foreign merchants, diplomats, and missionaries a series of privileges. These treaty ports also served as important centers of commerce, linking the Chinese coast more closely to the global trade. Foreign concessions

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<sup>17</sup> Richard von Glahn, “Foreign Silver Coins in the Market Culture of Nineteenth Century China,” *International Journal of Asian Studies* 4, 1 (2007): 68.

<sup>18</sup> Lin, 33.

<sup>19</sup> Lin, 2.

served as an important impetus for the creation of the trade dollar as the lack of a uniform silver coin proved troublesome for all involved as consuls were often paid in coin that was not current, except at a heavy discount. While many complained about the issue there was no plan to change the situation. “A Merchant” who wrote to *The Economist* in 1858 noted that despite the “unanimity of all parties” as to “the inconvenience and confusion caused” by the plethora of coins and exchange rates there was at the same time “an utter inability displayed to unite on any plan to remedy this evil.”<sup>20</sup>

### **The American Background**

By the time businessmen and Mint officials began to discuss the possibilities of producing a coin specifically for export to China, hard metal, either gold or silver, had not circulated in most of the United States for more than a decade. In fact, as late as 1869, Henry Linderman, the director of the Philadelphia Mint, wrote of the need to “reduce the force” at the Philadelphia Mint due to a lack of domestic demand for minor coinage.<sup>21</sup> The creation of the trade dollar took place in the aftermath of the Civil War as politicians, businessmen and the public grappled with how to readjust the monetary system and at the same time increase trade abroad.

Even in the years before the Civil War, silver coins only intermittently circulated in the United States due to a mismatch between the American mint ration and the bullion value of metal. The United States originally fixed the monetary system of the United States at a ratio of gold to silver at 15:1 and provided for the free coinage—that is to say the government would coin bullion for no fee. When Alexander Hamilton created this system in 1792, it reflected,

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<sup>20</sup> “The Currency & Coin of China,” *The Economist* June 12, 1858, pg 652. This merchant went on to suggest that it would “be advisable, nay politic, at a time when this nation [England] is endeavoring to extend its commercial intercourse with China” to create a Mint.

<sup>21</sup> Henry Linderman to James Pollock, February 15<sup>th</sup>, 1869; February 1869 Folder; Box 83; Record Group 104; General Correspondence of the U.S. Mint, 1792-1899; NARA Regional Archives, Philadelphia.



almost exactly, prices on the world market. However, the early years of the 19<sup>th</sup> century saw world prices diverge from the established ratio in the United States. After 1834, for example, little silver circulated as coin since its price as bullion on the world market exceeded what one could receive by bringing a stock of silver to the mint for coinage. With the metal more valuable as bullion than as coin, silver pieces left the market.

The Civil War removed metal, silver and gold, from circulation as the United States used the printing press to pay for most of the war. In July 1861, Congress authorized the creation of paper currency, greenbacks, and in December of the same year it suspended specie payments. In 1863 Congress authorized the National Banking Act that created a uniform currency of banks notes that were issued against bonds purchased from the government and stored as security with the Treasury Department. Banks were allowed to issues notes up to ninety percent of the value of the bonds they had on store at the treasury. By the end of the war, Milton Freidman estimates that there was “\$585 million of currency, mostly in Greenbacks.”<sup>22</sup> In addition, he believes the United States public held, or hoarded, \$7 million of silver and that the U.S. Treasury held another \$1 million.<sup>23</sup> Soon the necessities of wartime gave way to a debate over whether, how and when the United States would move back to specie payments and slowly remove greenbacks from circulation. The British experience after the Napoleonic War and their path towards “Resumption” provided a model for U.S. efforts. For many, particularly traders on the East Coast, gold was only a “temporarily deposed sovereign.”<sup>24</sup> Immediately after the war, Hugh McCullough, Secretary of the Treasury, carried out a contractionary policy, hoping to remove greenbacks fro circulation and return to specie payments because “by common consent of all

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<sup>22</sup> Milton Friedman, *A Monetary History of the United States* (Princeton: Princeton University Press, 1971), 4.

<sup>23</sup> Friedman, *A Monetary History of the United States*, 17.

<sup>24</sup> Friedman, *A Monetary History of the United States*, 59. Friedman uses similar phrasing in a more technical piece “The Crime of 1873,” a working paper published through Stanford’s Hoover Institution in 1989.

nations, gold and silver are the only true measure of value...I have myself no more doubt that these metals were prepared by the Almighty for this purpose, than I have that iron and coal were prepared for the purposes for which they are being used.”<sup>25</sup> However, an emerging Greenback Party, aiming to keep the bills and circulation and change the trend of decreasing prices after the Civil War opposed McCullough’s position. Resumption, whether and how to remove greenbacks from circulation, and make them “as good as gold became the single biggest financial problem facing the United States after 1865.”<sup>26</sup>

Despite the controversies of post-Civil War finance, informed opinion, on all sides of important financial questions, generally held that the United States had great opportunities to trade with Asia. On a tour after his tenure as Secretary of State, William Seward confidently proclaimed that European thoughts and customs would fade in the future while the Pacific Ocean and “its shores, its islands and its adjacent territories will become the chief theatre of human events and activities in the world’s great hereafter.”<sup>27</sup> In the same vein, *The New York Times* looked excitedly at developments to link America and Asia with an oceanic telegraph line and predicted that “our trade with what was our father’s Orient; and is our Occident has but barely begun.”<sup>28</sup> With Americans increasingly moving to the western part of the United States and with the spread of information and ideas becoming easier, the article insisted, “it is not exaggeration to predict that an immense steam marine will soon dart in every direction through the placid water of the Pacific, and that San Francisco will speedily become greater than Carthage in the

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<sup>25</sup> Robert P. Sharkey, 60

<sup>26</sup> Irwin Unger, *The Greenback Era: A Social and Political History of American Finance, 1865-1879* (Princeton: Princeton University Press, 1964), 16.

<sup>27</sup> Ernest Paolino, *The Foundations of American Empire: William H. Seward and U.S. Foreign Policy* (Ithaca: Cornell University Press, 1973), 209.

<sup>28</sup> “Our Coming Trade With Asia,” *The New York Times*, May 12, 1872, pg. 4.

Meridian of her glory.”<sup>29</sup> *Bankers’ Magazine*, a trade publication for the financial set, commented that rail and oceanic links to Asia were “realizing the dream of Columbus; that the shortest way East was to sail West.”<sup>30</sup> However, enthusiasm could not make up for an important factor limiting trade, the Chinese preference for Mexican silver dollars. *The San Francisco Bulletin* reported in August 1859 that “every vessel leaving San Francisco for Chinese ports takes a large amount of Mexican dollars.”<sup>31</sup> Several years later in his Annual Report of the Director of the Mint, Linderman noted how the standard U.S. silver dollar was “not received by the Chinese except at a discount” due the fact that “while it is of equal fineness with the Spanish or Mexican dollar, it is about 1% less in weight” and concluded that this situation “seems to take away the last plea from continuing to coin this piece.”<sup>32</sup> These two threads—the legacies of Civil War finance and the desire to increase trade with East Asia, came together in the creation of a new coin with the aim of dislodging the Mexican silver dollar from a seat of privilege in East Asian trade.

### **The Decision to Make the Coin**

The Coinage Act of 1873, a long and complicated law that aimed mostly to develop the U.S. Mint into a more professional and efficient organization, also authorized the trade dollar. The final decision to produce this particular coin took place after a gestation period of several years when Mint officials, politicians and businessmen continued to discuss coinage reform. While many citizens in the 1890s would call the passage of this act “the crime of ’73,” it is instead important to look at the act for its impact on American policy in East Asia rather than simply looking at it from the narrow and of political discourse in the 1890s.

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<sup>29</sup> “Our Coming Trade With Asia,” *The New York Times*, May 12, 1872, pg. 4.

<sup>30</sup> *Bankers’ Magazine*, (December 1871): 431.

<sup>31</sup> “Trade Reports,” *The San Francisco Bulletin*, August 14, 1859.

<sup>32</sup> Bowers, David Q., *Silver Dollars and Trade Dollars of the United States, Volume I* (New York: Bowers & Merena Galleries, Incorporated, 1993), 804

The first discussion of minting a coin for commercial purposes came after John Jay Knox, Comptroller of the Currency, took a tour of U.S. Mints in the late 1860s. At that time, Secretary of the Treasury Boutwell asked Knox to undertake an inspection and investigation of the various U.S. Mints, particularly those on the West Coast, and draft a bill to reform the organizational structure of coinage operations. Far away from Philadelphia and Washington, the Carson City and San Francisco Mints had reputations for a host of administrative problems. The most serious dated to 1856 when a refiner and melter embezzled over \$263,591. To address these issues, Knox authored a report in 1866 on the operations of the San Francisco branch itself. Yet problems continued. In February 1869, the Superintendent of the San Francisco Branch wrote to Henry Linderman, Director of the Philadelphia Mint, of “the annoyance and mortification” he felt after one of his employees neglected to ship assay coins to the East Coast.<sup>33</sup>

Returning to Washington D.C. dissatisfied, Knox submitted a report to the Secretary of the Treasury in 1869 concerning wholesale reform of the U.S. Mint that would eventually form the basis of the Coinage Act of 1873. Buried within a series of proposals that dealt mostly with administrative structure, specifically creating a National Director of Mint operations in Washington D.C., Knox also suggested that the weight of the standard silver dollar should be reduced. However, as he circulated a draft of the bill, a series of commentators, mainly Mint officials and other coinage experts, argued that standard American silver dollars should be completely eliminated because at current prices silver was worth a three per cent premium in terms of the gold dollar and thus had not circulated for some years. Its bullion value outstripped its monetary value. If any type of silver dollar were to be coined, one of the

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<sup>33</sup> Director of the San Francisco Mint to Linderman, February 2, 1869; 1869 Folder; Box 63; Correspondence with Branch Mints and Assay Offices, 1835-1898; RG 104; NARA Regional Branch, Philadelphia. Branch mints were supposed to ship sample coins to the Philadelphia Mint so that they could be judged for fineness, uniformity and errors. The Carson City Mint later had particular problems with the dies for the trade dollar.

commentators on the draft of the bill argued it should “commercial dollar, not as a standard unit of account, and of the exact value of the Mexican dollar, which is the favorite for circulation in China and Japan and other oriental countries.”<sup>34</sup> Here, then, is the first mention of the proposed trade dollar in actual legislation. However, these proposals did not advance through Congress and the trade dollar lingered for two more years, awaiting the influence of a man whom Knox thanks in his original proposal, Henry Linderman.

Henry Linderman, Director of the Philadelphia Mint from 1867 to 1869, later spent time on the West Coast, and his interaction with officials from the San Francisco Mint, silver producers and business leaders served as an impetus for the ultimate creation of the trade dollar in 1873. Long involved in American monetary policy, he commented on a draft of the Knox bill, noting that the current silver dollar, “having no practical use whatsoever,” should be discontinued since it had a “higher bullion value than a nominal value.”<sup>35</sup> In 1870, he was named Commissioner of the United States to the Pacific Coast and spent significant time investigating financial matters in California. Interacting with diverse local interests, he eventually authored a report to Secretary of the Treasury Boutwell in November 1872 that made the most direct case for the creation of the trade dollar. Noting that both Germany and Japan had demonitized silver at the same time that American mines struck rich silver deposits, he foresaw “the gradual but certain adoption of the gold standard, and consequent demonitization of silver by all commercial countries.”<sup>36</sup> With conditions such as these, Linderman went on to argue that the “true policy” of the country should be to seek a “market in China for its silver bullion; and to do this it must be

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<sup>34</sup> John Jay Knox, “Report to the Senate Regarding Coinage Law”; 41<sup>st</sup> Congress, Second Session, 1.

<sup>35</sup> Henry Linderman to John Jay Knox, January 25, 1870; “A Report of John Knox Giving the Correspondence of The Department Relative to the Revision of the Mint and Coinage Laws of the United States”; 41<sup>st</sup> Congress, 2<sup>nd</sup> Session; House of Representative Executive Document 307, pg. 31-32.

<sup>36</sup> Henry Linderman, “The Production of Gold and Silver,” *Bankers’ Magazine* (March 1873): 510.

put in a form to meet favorable recognition in that country.”<sup>37</sup> This clause is important because it addresses not only the problem of increasing American silver supplies but also the inadequacy of the current American silver dollar in the China trade. Noting that Chinese preferred Mexican dollars to settle accounts, Linderman stressed that on the London and San Francisco bullion markets these coins commanded an eight percent premium to the American silver dollar even though Mexican dollars “intrinsically is worth 1 6/10 more than our dollar of 412 ½ grains.”<sup>38</sup> From this point of view, the creation of the trade dollar solved several pressing problems. It provided an outlet for increased silver production and it relieved merchants of the need to pay a premium for Mexican coin in order to engage in the China trade. Most important, the coin was sure to succeed in China. After “consulting with some of the leading businessmen of San Francisco as well as the most prominent and intelligent Chinese merchants,”<sup>39</sup> Linderman ultimately recommended the creation of a coin, with a weight of 420 grains troy, a fineness of 9 parts silver to one part alloy for a pure silver content of 378 grains troy. With a pure silver content higher than the Mexican dollar, Linderman felt that the new American trade dollar might soon trade at a premium of six to eight percent to the Mexican coin.

In addition to Linderman, a report from the American Consul at Hong Kong also pushed the trade dollar forward when it arrived in January 1873. Working without any connection with Linderman and focused more on banking facilities, George Bailey came to a similar conclusion about the creation of the trade dollar. Focusing first on the need for American banks to set up branches in Asia he lamented that “San Francisco, Shanghai and Hong Kong, facing each other

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<sup>37</sup> Linderman, “The Production of Gold and Silver,” 510.

<sup>38</sup> Linderman, “The Production of Gold and Silver,” 512.

<sup>39</sup> Linderman, “The Production of Gold and Silver,” 512.

on opposite shores of the Pacific go around the world to pat each other in Lombard Street.”<sup>40</sup>

Beyond an increased American banking presence, Bailey also recommended the creation of a trade dollar with the “same intrinsic value as the Mexican Dollar” and as “closely resembling the Mexican dollar as may be expedient.”<sup>41</sup> In a prescient warning, he also advised that steps must be taken to prevent the coins from becoming chopped—stamped with Chinese characters that attest to their value. With all these measures in place, Bailey, like Linderman, concluded that the United States would “find a vast market for her coins in the East.”<sup>42</sup>

These reports gave Senator John Sherman and others the backing they needed to pursue their own inclinations and pass the coinage law, reforming the Mint, eliminating the standard silver dollar of 412 ½ grains troy and put in its place the proposed trade dollar of 420 grains. In 1871, the Senate passed a version of the bill that eliminated the standard silver dollar with Sherman adding an amendment for a coinage charge on both gold and silver. The bill lingered in the Congress for almost a full year until the House passed a version of the bill that contained a 384 grain silver dollar that would be legal tender for up to five dollars in May 1872.<sup>43</sup> There were now two bills with different forms, a House version containing a provision with a standard dollar of 384 grains and a Senate version with a trade dollar of 420 grains. In December 1872, Secretary of the Treasury Boutwell and Linderman attended a closed meeting of the Senate Finance Committee with Senator Sherman and urged the passage of the 420 grain trade dollar without any legal tender quality. However, as the bill went to a conference committee in January 1873, the proposed section stated that the trade dollar would be legal tender in the United States

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<sup>40</sup> George Bailey, “Banking Facilities Between the United States and China,” 42<sup>nd</sup> Congress, 3<sup>rd</sup> Session House of Representatives Document No. 159, pg. 2.

<sup>41</sup> Bailey, “Banking Facilities Between the United States and China,” 3.

<sup>42</sup> Bailey, “Banking Facilities Between the United States and China,” 3.

<sup>43</sup> Allen Weinstein, *Prelude To Populism: Origins of the Silver Issue, 1867-1878* (New Haven: Yale University Press, 1970), 23.

for up to five dollars. As the proposal came to a vote, Sherman disclaimed any influence over the process, claiming that “I do not like myself to break in upon this plan or to change it in the slightest degree, but prefer to leave it to the proper offices of the Mint.”<sup>44</sup> When the bill passed on February 6, 1873 it contained the provision for a trade dollar that was legal tender in the United States.<sup>45</sup>

The controversy around the “crime of ’73” has a long history. The attacks began as early as 1876 when a letter to *The Boston Globe* argued that the Coinage Act of 1873 was passed “without discussion in or out of Congress and without notice or warning.”<sup>46</sup> As the silver issue continued to gain prominence throughout the late 19<sup>th</sup> century, the debates intensified as some argued that the law was not “passed surreptitiously, or secretly, or without due consideration” and that during 1873 with the silver dollar “an obsolete coin” and that “no one could then anticipate that it would ever be worth less than the gold dollar.”<sup>47</sup> Such was the argument of supporters of the gold standard in the 1890s. Here is the crux of the issue: foreknowledge about the impending fall of silver prices. The opposing view, expressed best by rabid silverites in the 1890s and Paul O’Leary in 1960, sees the Coinage Act of 1873 as “deliberated aimed at striking down the silver dollar just when it was apparent to those in a position to know that it was about to make a comeback.”<sup>48</sup>

This back and forth represents an argument without end, inextricably tied to the politics of the 1890s. This paper offers a new interpretation of the “Crime of 73” by looking at its

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<sup>44</sup> Weinsten, 28.

<sup>45</sup> A side debate in the larger silver issue is why the trade dollar was legal tender at all since its purpose was to serve in trade in China. Linderman wrote mysteriously in 1878 that it “was inadvertently made legal tender” Henry Linderman, *Money and Legal Tender* (New York: G.P. Putnam’s Sons, 1877), 56. Neil Carothers says it was “deliberately included...with the idea of giving the new coin a better standing” Neil Carothers, *Fractional Money* (New York: Bowers & Merena Galleries, 1988), 234.

<sup>46</sup> Unger, 330.

<sup>47</sup> Horace White, *Money and Banking Illustrated by American History* (Boston: 1895), 218-219.

<sup>48</sup> Paul O’Leary, “The Scene of the Come of 1873 Revisited,” *Journal of Political Economy* 68 (1960): 390-392.



consequences and meaning abroad rather than in the United States. Moreover, examining the Coinage Act of 1873 only in terms of its later controversy and role in the political and economic debates in the 1890s overlooks the optimism and urgency of 1873 when the coins would soon enter the China market. The narrative surrounding “crime of 73,” obscures a significant issue: the creation of the trade dollar. The bill was supposed to solve an important issue—increasing silver production—at the same time that it helped Americans trade with China by providing a coin that might replace Mexican dollars. Not long after the passage of the law, *The San Francisco Bulletin* reported that “Mexicans have recently put a new stamp on their silver dollar and the Chinese are a little suspicious of it” and if this changed coin “can be crowded out by the new American dollar, which is of higher intrinsic value, a point will be gained.”<sup>49</sup> *The Philadelphia North American* concluded, “the importance of the trade dollar cannot be overrated” and “by specially and carefully establishing a silver trade dollar of weight and fineness that will be recognized by the commercial nations of the world as a standard of commercial value, the United States assumes a leading place in the commerce of the east.”<sup>50</sup> Henry Linderman, now Director of the U.S. Mint and based in Washington D.C., saw the moment as decisive. Telegramming James Pollock, Superintendent of the Philadelphia Branch, on June 24, 1873, Linderman wanted to know “When will you commence coinage of the trade dollar? Mexican congress has restored the dollar [design] prior to eighteen sixty-seven. Not a moment to be lost in the issue of our dollar!”<sup>51</sup> Following up several days later, Linderman emphasized that “it is very important that its [the trade dollar’s] fineness average .900 and not in any single coin fall below .899” since it

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<sup>49</sup> “The New Trade Dollar,” *The San Francisco Bulletin*, March 19, 1873.

<sup>50</sup> “The New Trade Dollar,” *The Philadelphia North American*, October 16, 1873.

<sup>51</sup> Linderman to Pollock, June 27, 1873; June 24, 1873. Box 92; U.S. Mint 1791-1936 General Correspondence, 1792-1899; RG 104; NARA Regional Archives, Philadelphia.

would have to undergo the scrutiny of merchants abroad.”<sup>52</sup> The reception of the coin in China, however, would not match expectations.

*Table 1: Comparison of Coin Weights*

| Coin             | Grains | Fineness | Grain Silver | Value    |
|------------------|--------|----------|--------------|----------|
| Old Amer. Dollar | 412.5  | 900      | 371.25       | \$1      |
| Trade Dollar     | 420    | 900      | 378          | \$1.0122 |
| Mexican Dollar   | 417.83 | 902.77   | 377.25       | \$1.0622 |
| Japanese yen     | 416    | 900      | 374.4        | \$1.0085 |

### **The Reception of the Coin in China**

In 1873 and 1874, as the coins made their way across the Pacific, many in the United States, especially those involved in the China trade insisted that the coins were well received. The official assay by the Chinese government only added to these impressions as a published decree in Hong Kong stated that “the Eagle Trade dollar” had been “jointly assayed by officers specially appointed for the purpose,” and it “can come into general circulation.”<sup>53</sup> Even more, as U.S. Mint officials continued to point out the “surprising carelessness” of recently produced Mexican coins whose fineness fluctuated widely, it appeared the U.S. trade dollar emerged at just the right time.<sup>54</sup> As coins made their way to China, several important interest groups—Mint officials, traders and politicians—had much invested in the trade dollar’s success.

Early signals appeared to vindicate those who argued for the coin’s creation. Getting word of an increased demand for the trade dollar in New York in early 1874, Linderman wrote to

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<sup>52</sup> Linderman to Pollock, June 27, 1873; June 27, 1873. Box 92; U.S. Mint 1791-1936 General Correspondence, 1792-1899; RG, 104; NARA Regional Archives, Philadelphia.

<sup>53</sup> “The Trade Dollar in China,” *The San Francisco Bulletin*, November 13, 1874.

<sup>54</sup> The Chief Assayer to the Director of the Philadelphia Mint, October 13, 1873; Box 94; U.S. Mint 1791-1936 General Correspondence, 1792-1899; RG 104; NARA Regional Archives, Philadelphia.

Pollock instructing him to “make every possible exertion to meet the New York demand for that coin, subordinating the manufacture of other coins... One hundred thousand dollars a week in trade dollars will soon meet the demand.”<sup>55</sup> In May 1874, *The San Francisco Bulletin* effused that the trade dollars had “gone off like hotcakes” and that “the Chinese merchant contemplates his pile of them with satisfaction.”<sup>56</sup> A year later the publication judged that the coin had “achieved a series of signal victories” and now had “an impregnable position in the monetary system of the Orient.”<sup>57</sup> Despite British attempts to exclude the trade dollar from Hong Kong, the article continued, “the residents of that city had followed the example of their countrymen in Canton, Foochow and other cities, and adopted the trade dollar.”<sup>58</sup> *The Journal of American Numismatics*, a journal published for and by coin enthusiasts and experts, concluded that the coin’s “bright, finished look operated as a good introduction” and has “proven the ‘open sesame’ to Chinese storehouses.”<sup>59</sup>

Reaction around the world also judged the new coin a success and a number of nations began to discuss whether they too should make their own trade dollar. After passage of the Coinage Act of 1873 *The Economist* magazine judged it “an American invention (and a characteristic one) to issue coin for export only.”<sup>60</sup> Several years later, *The Economist* argued that the British government create a trade dollar because it would prove “advantageous” and open up a “new outlet for our Indian silver.”<sup>61</sup> Likewise, Germany, recently unified and not

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<sup>55</sup> Linderman to Pollock, Feb. 21, 1874; Box 95; U.S. Mint 1791-1936 General Correspondence, 1792-1899 RG 104; NARA Regional Archives, Philadelphia.

<sup>56</sup> “Competition for the Trade Dollar,” *The San Francisco Bulletin*, May 4, 1874.

<sup>57</sup> “Triumph of Trade Dollar,” *San Francisco Bulletin*, February 6, 1875.

<sup>58</sup> “Triumph of Trade Dollar,” *San Francisco Bulletin*, February 6, 1875.

<sup>59</sup> *The American Journal of Numismatics* Vol. IX No.3 (January 1875): 63

<sup>60</sup> “American Silver Currency,” *The Economist*, August 5, 1876; pg. 915.

<sup>61</sup> “Coinage Reform,” *The Economist*, July 14, 1877; pg. 820

coining silver for domestic use proposed the creation of its own trade dollar, or *handels-piaster*.<sup>62</sup> Several years later, France too, under the advice of several French merchants to China, decided to coin its own trade dollar with the same fineness and weight of the American one. Perhaps the most interesting example comes from Japan under the newly formed Meiji government.<sup>63</sup> In making their own trade dollar, they created a coin with the same quality and fineness of the American trade dollar. Interestingly, they also included, in English, the same phrase that appeared on the American Trade Dollar “420 Grains fine.” According to the American consul, the Japanese Mint intended the English on the coin to function as a signaling device to those Chinese merchants already familiar with the American coin. As the consul reported, the Japanese coin did not catch on and was eventually discontinued.

However, rhetoric and enthusiasm for the coin at home did not match the reality of its reception and use abroad. In a report to Secretary of State Hamilton Fish, George Seward, son of the previous Secretary of State, wrote that there were fewer than 500 of the coins circulating north of Fuzhou and that the coin had not displaced Mexican coins and doubted “whether it can ever come into general circulation or even extensive circulation.”<sup>64</sup> From 1875 through the end of the decade, the status of the trade dollar, appears in diplomatic correspondence but the outlook remained gloomy. During this period, Seward’s judgment that he was witnessing “the singular spectacle of a great trading people who may be said to be devoid of a currency”<sup>65</sup> proved prophetic. In the north of China, American consuls and businessmen reported that the trade dollar failed to circulate widely, attributing the coins failure to ingrained habits and interests. The American consul in the northern port city of Tianjin wrote Seward in 1878 that the “trade-dollar

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<sup>62</sup> “German Silver and the Eastern Absorption,” *The Economist*, December 2, 1876; pg. 1399

<sup>63</sup> “France,” *The Economist*, May 24, 1879, pg.593.

<sup>64</sup> George Seward to Hamilton Fish, *Foreign Relations of the United States*, 1876 (Washington; Government Printing Office), 45.

<sup>65</sup> Seward to Fish, *FRUS*, 1876, 45.

is not known as a circulating medium in this port.”<sup>66</sup> The consul judged that it was well-known that in the interior nothing but copper cash or silver sycee settled commercial business “and the same rule is observed in this port in most all transactions.”<sup>67</sup> In Shanghai, which was still a new city and a relatively northern treaty port, the local Chamber of Commerce informed Seward that the coin “had been imported in small quantities and has failed to make its way, having always been refused at its full value.”<sup>68</sup> At Ningbo, another treaty port a short distance from Shanghai, the consul lamented the absence of the trade dollar due to local counterfeiters who were able to make excellent replicas of Mexican dollars and pass them off as real. He doubted any coin, particularly the trade dollar, could gain any ground in the port since local bankers could effectively control exchange rates in the port and a “defective” and “difficult” currency was in their interests, “so as to gain from those who are ignorant.”<sup>69</sup>

The situation in the south of China was more promising but not uniformly so. Trade dollars generally entered through in Hong Kong and moved north in the course of trade. In Fuzhou, a trading city in Fujian, the American consul reported that the coin was and had been in circulation, although it had initially been accepted at a 2% discount to the Mexican silver dollar. Discussing the future prospects of the coin, the consul reported that if some type of official action might be taken to codify the relationship between the trade dollar and the Mexican dollar, that is to say that they would trade at par value, the trade dollars circulation in China would increase significantly. Slightly to the south of Fuzhou, in the treaty port of Xiamen, the trade dollar had a secure place in exchange, “thought not so extensively as the Mexican.”<sup>70</sup> However, with the use of the trade dollar, another problem developed. As the coin circulated, Chinese

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<sup>66</sup> “O.N. Denyy to George Seward,” *FRUS*, 1878-9, 143.

<sup>67</sup> O.N. Denyy to George Seward,” *FRUS*, 1878-9, 143.

<sup>68</sup> “The Chamber of Commerce of Shanghai to George Seward,” *FRUS*, 1878-9, 146.

<sup>69</sup> “Edward Lord to George Seward,” *FRUS*, 1878-9, 146.

<sup>70</sup> J.A. Henderson to Seward, *FRUS*, 1878-9, 146.

assayers, “chop marked” the coin to certify its weight and fineness. To do so, they stamped the coin with a special personal seal, usually a single Chinese character or, more rarely, some element of Manchu-language script. This action served as a signaling mechanism but it also changed the appearance, weight and fineness of the coin. Repeated chopping, led to what the consul at Fuzhou called a “mutilated” coin where even the original design of the coin might be obscured. Of course, this repeated chopping increased the likelihood that the amount of silver in each coin would slowly decrease. He suggests trying to influence officials at Hong Kong and Canton to prohibit the practice of chopping. Likewise, the consul at Xiamen insisted that business with the Consulate had to be conducted in “clean”—un-chopped—trade dollars.

The success of the trade dollar was precarious at best. With a tendency to prefer coin they recognized, most Chinese involved in trade maintained their preference for Mexican dollars. Although, some trade dollars came into circulation particularly in the South, their circulation never matched the rhetoric of their success in the United States. As the consul at Xiamen noted, the real reason the trade dollar did not secure a firmer and more permanent circulation along the Chinese treaty ports and the interior of the country tied to “the unrestricted tendency of people who have payments to make to procure and use the worst dollar that will pass.”<sup>71</sup> The trade dollar was, in other words, too fine a coin. In a system where each exchange amounted to a clash of wits—What type of coin does this person intend to give me? What is its silver content? Is it real or counterfeit?—there were incentives to pass off bad money as good. The significance of the trade dollar was not its success in displacing the Mexican silver dollar but its influence on other imperial powers who copied, sometimes to the letter, the American trade dollar.

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<sup>71</sup> J.A. Henderson to Seward, *FRUS*, 1878-9, 146.

## Conclusion

This study of the U.S. trade dollar shows that concentrating on material objects provides a new way to look at older issues. These material objects have a detailed, complicated and contested history that links to broader historiographic questions. Unfortunately, most material objects are, like most technological innovations, a “black box.” Interesting objects become mundane; important stories go overlooked. Combating this indifference, Bruno Latour, a prominent theorist in science and technology studies, advocates “unpacking” or “opening up” the “black boxes” of daily life.<sup>72</sup> In one mind-bending example, he focuses on doorways to examine the social relations and assumptions inherent in different types of construction.<sup>73</sup> This paper attempted to open up the “black box” of another common object: coins.

In doing so, it argues that a focus on these coins provides a new perspective on the role of the United States in East Asia during the 19<sup>th</sup> century. The key, however, is to ensure that delving into these objects ultimately links to larger debates. Future scholarship will hopefully continue to unpack the “black boxes” of the material world to show how they relate in unexpected but significant ways to important scholarly debates in diplomatic and international history.

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<sup>72</sup> Bruno Latour, *Science in Action: How to Follow Scientists and Engineers Through Society* (Cambridge: Harvard University Press, 1988).

<sup>73</sup> Bruno Latour, “Where are the Missing Masses? The Sociology of a Few Mundane Artifacts” in Wiebe E. Bijker and John Law, eds., *Shaping Technology/Building Society: Studies in Sociotechnical Change* (Cambridge, Mass.: MIT Press, 1992), 225–258.

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